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IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

NO. 514

E-I-M COMPANY, INC., Petitioner,

v.

PHILADELPHIA GEAR WORKS, INC., Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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The judgment order of the district court in the subsequent contempt proceeding is also appended (App., p. 15).

An earlier opinion in the case is *E-I-M Company, Inc. v. Philadelphia Gear Works, Inc.,* (C.A. 5, 1953) 205 F. 2d 28. It is copied in the Appendix, p. 16. That opinion was in affirmance of a decision of the district court, opinion reported at 102 F. Supp. 14 (App., p. 21). The district court injunction is also set forth in the Appendix, p. 50.

Jurisdiction.

The judgment of the Court of Appeals was entered May 25, 1955. A petition for rehearing was duly filed but was denied (without opinion) on August 16, 1955. This Court has jurisdiction by reason of the provisions of 28 U.S.C. 1254 (1) and 2101(c).

Questions Presented.

1. Is the *Formica-Marcalus* doctrine *(Westinghouse Co. v. Formica Insulation Co.,* 1924, 266 U.S. 342; *Scott Paper Co. v. Marcalus Co.,* 1945, 326 U.S. 249) applicable in cases where the estoppel is by judgment rather than by assignment or license?

2. If the answer to Question 1 is "Yes", may the later-accused device be justified only where it is a Chinese copy of a prior art item?

3. Where it has been adjudged that a patent is valid and infringed and it is charged that a subsequent, different, device made by the infringer is the "equivalent" of the adjudicated device and hence an infringement, is infringement to be determined by a mere com-

parison of the newly accused device with the adjudicated device, or by comparison of the newly accused device with the patent in the light of the prior art?

4. In the circumstances stated in Question 3, may the question of equivalence be decided in a summary action for contempt, or is the alleged infringer entitled to a trial on that issue, whereat he may compare his newly-accused device with prior art?

Statement of the Case.

Petitioner ("E-I-M") sued respondent ("Gear Works") in 1950 seeking a declaratory judgment that a device then being made by E-I-M, called a "valve operator" and sometimes a "valve control", was not an infringement of any of several patents asserted against it by Gear Works. Gear Works counterclaimed as to one of those patents—Ball patent 2,114,013 ("patent '013"), dated April 12, 1938, now expired (Exh. 117). Gear Works conceded that none of the other patents was infringed and patent '013 is the only one that enters into the controversy (App., pp. 1, 21).

For present purposes, a valve operator may be described as a device mounted on a valve, such as those used on pipelines in the petroleum industry, and serving to open and close the valve as desired. The opening and closing is normally effected by switching on the current to an electric motor, frequently from a control station far from the valve itself, but a handwheel is also provided for manually operating the valve, if necessary.

Devices of this sort are called "non-coincidental" operators because they are so arranged that the hand-

wheel is necessarily out of engagement whenever the motor is in engagement (a safety feature). The separateness of the hand-drive and the power-drive is insured by the use of a clutch, which may optionally be shifted so as to connect the handwheel or the motor.

Non-coincidental operators are broadly old, e.g., in Jones Patent No. 1,864,653 (Exh. 118) and a corresponding (and somewhat fuller) British patent No. 307,444 (Exh. 122). The differences between patent '013 and Jones lie in the mechanisms for controlling the movement of the clutch.

The original litigation between the parties involved a valve operator made by E-I-M, designated as Type "PP" (Tr. II-376 to 386) †. The clutch control mechanism of the Type "PP" was specifically different from the mechanism of patent '013, but the District Court gave patent '013 a broad construction and held it valid and infringed; 102 F. Supp. 14 (App., p. 21).* The Court of Appeals affirmed; 205 F. 2d 78 (App., p. 16).

The Jones patents were cited by E-I-M in the litigation. The clutch shifting mechanism of Jones differs from each of patent '013 and the accused Type "PP" operators, notably in that Jones provided a centrifugal flyball-and-spring device, much like the well-known fly-

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† Vol. II, pp. 376 to 386, of the printed Transcript of Record in Appeal No. 14247.

* The district court dismissed E-I-M's suit for unfair competition and a declaratory judgment and held, *inter alia*, that E-I M was in court with unclean hands, that holding deriving largely from the fact that the moving spirits in E-I-M had formerly been associated with Gear Works and from the circumstances of their leaving and going into business for themselves. (App., p. 41)

ball "governor" (see Webster's New Inter. Dict., 2nd Ed. unabridged, p. 1083), which brings the power-drive into engagement as the motor gets up to speed, and no such mechanism was contained in patent '013 or the Type "PP" operator.

Gear Works differentiated patent '013 from Jones on the grounds (a) that the centrifugal flyball-and-spring device was "foreign to the patented invention", operating "on a wholly different principle", and was "not a detent" [which "detent" was an element of the claimed combination] (R. 54-6)* and (b) that Jones showed additional elements not present in patent '013, namely, a solenoid magnet and a friction clutch (App., p. 26), and Jones was held not to anticipate patent '013 or to negative infringement by the Type "PP" operator.

E-I-M discontinued the Type "PP" operator and went to materially different structures. Only one of them, called the Type "CS" (centrifugal, spring), is here involved (E-I-M Bulletin E 852, Exh. C-1). Its design was based upon the Jones patent (R. 136) and it was commercialized upon the advice of counsel that it did not infringe patent '013. As in Jones, the clutch is biased to and is normally in handwheel-drive position; like Jones, the Type "CS" uses a centrifugal flyball-and-spring device which shifts the clutch to power-drive position as the motor gets up to speed. It does not employ the additional elements of Jones, mentioned immediately above.

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* Printed Transcript of Record in Appeal No. 15261, pages 54 to 56; and see Brief for Defendant-Appellee [Gear Works] in Appeal 14247, p. 31.

On or about August 1, 1952, Gear Works was apprised of E-I-M's marketing of the Type "CS" operator (Murray affidavit, R. 35-6); in September, 1953, moving affidavits were prepared, and on December 3, 1953, Gear Works filed a motion to have E-I-M held in contempt because of the manufacture and sale of the Type "CS" (R. 20). The injunction which had issued forbade manufacture, use or sale of the Type "PP" device, "or any substantial equivalents thereof" (App., p. 50). Gear Works did not contend that the Type "CS" was the same as, or a merely colorable departure from, the Type "PP", but bottomed its charge on the sole proposition that the Type "CS" was the substantial equivalent of the Type "PP" (Panish affidavit, R. 22).

The district judge ruled that the question of equivalence was to be decided by a mere comparison of the Type "CS" with the adjudicated Type "PP" and that prior art could not be considered at all in making the comparison. Such evidence as appears in the record regarding the prior art was specifically excluded from his consideration by the trial judge and his holding that the Type "CS" is the equivalent of the Type "PP" was thus made *in vacuo* (R. 67, 82, 90, 142, 157-8, 226; petitioner's Brief in support of its Petition for Rehearing, p. 8 [certified record transcript, p. 289]; cf. App., p. 2, footnote 1). E-I-M appealed and the judgment now sought to be reviewed (App., p. 14) resulted.

The trial judge had awarded punitive damages to Gear Works because (a) he seemingly thought it was disrespectful of the original decision for petitioner E-I-M to make Type "CS" operators while the former appeal was pending (R. 65); (b) because the casing or shell

of the Type "CS" had the same [unpatented] external configuration as the Type "PP" (App., p. 3, footnote, finding 8); and (c) because the "mounting dimensions", i.e., number of bolts and location of bolt holes—all unpatented—were the same in the Type "CS" as in the Type "PP" (App., p. 3, footnote). The Court of Appeals said that if it "were permitted to review independently of the district court's findings" the issue of willfulness and deliberateness "we might ourselves conclude that the prior course of this litigation and the Jones patent furnish a reasonable basis for a good faith belief that appellant [E-I-M] was entitled to manufacture its presently accused CS structure," and, deeming it the better practice to postpone the question of punitive damages until after the finding of the Court of Appeals, modified the judgment of the district court so as to eliminate that portion decreeing that the present infringement had been willful and deliberate and, as so modified, affirmed it. (App., pp. 12-3).

E-I-M had invoked the *Formica-Marcalus* doctrine but the Court of Appeals held that it was inapplicable because the estoppel was not one "arising from an assignment or license" but from "a binding judicial determination" of the validity of the patent involved (App., p. 9).

The Court of Appeals recognized that the genesis of the "distinctive centrifugal flyball" mechanism in the Type "CS" lay in the prior art Jones disclosure, but it held that the "CS" involved "a substantial departure from the teachings of Jones" because "it fails to incorporate two other elements of the Jones patent, * * *" (App., p. 12).

The Court of Appeals affirmed the ruling of the district court that in contempt proceedings the question of infringement is to be decided solely on the basis of determining whether the new device "is the equivalent of the device held to be infringing," and that "the prior art is not at issue" (App., p. 7); *Patton v. Stone,* (5 Cir. 1949) 178 F. 2d 515, 517. Proceeding on that basis, the Court of Appeals held that the CS device "functions more effectively" than did the PP device, and is "more closely akin" to the Ball patent '013 in that it functions by "mechanical rather than by hydraulic means"; then, "accepting the no longer debatable premise" that the hydraulic mechanism of the PP device was the "full equivalent of the clutch detent mechanism" of patent '013, the Court of Appeals deemed that "consistency and logic" impelled the conclusion that the CS device was also a substantial equivalent of the Type "PP" (App., pp. 8-9). And although the Court of Appeals went on to differentiate the Type "CS" from the disclosures of Jones in the manner above indicated, it did so on the basis of a curtailed record, made on a proceeding wherein petitioner had been precluded from making any full comparison of its later-accused device with the prior art (*supra,* p. 6).

Argument.

It is submitted that the writ prayed for should be allowed for the following reasons:

(1) Question 1 (*supra*, p. 2) presents an important question of patent law which has not been, but ought to be, decided by this Court.

In *Westinghouse Co. v. Formica Co., supra,* this Court said (p. 350) that

> "As between the owner of a patent and the public, the scope of the right of exclusion granted is to be determined in the light of the state of the art at the time of the invention",

and held that in a suit by the assignee of a patent against the assignor for infringement the state of the art might be shown to relieve the assignor from the charge

> "in view of the peculiar character of patent property, * * * Otherwise the most satisfactory means of measuring the extent of the grant the Government intended and which the assignor assigned would be denied to the court in reaching a just conclusion".

Similarly, in *Scott Paper Co. v. Marcalus, supra,* this Court held that the patent laws "dedicated to all the public the ideas and inventions embodied in an expired patent". We submit that the principle of those cases should be applicable whether the estoppel arises out of an assignment or license, or out of a judgment. The Court of Appeals, however, denied the applicability of such decisions because there had not been, in them,

"a binding judicial determination, as here, of the validity of the particular patent involved" (App., p. 9).

The decision below is in conflict with the decision of the Court of Appeals for the Seventh Circuit in *Union Carbide & Carbon Corp. v. Graver Tank & Mfg. Co.*, (1952) 196 F. 2d 103, cert. denied 343 U.S. 967. That was a contempt proceeding which followed the decision of this Court in *Graver Co. v. Linde Co.*, (1950) 339 U.S. 605, wherein the composition claims of the patent in suit had been held valid and infringed. The district court adjudged that a composition of matter employed by Graver subsequent to this Court's decision was a contempt but the Court of Appeals reversed, basing its decision at least in part upon the fact that the newly accused composition stemmed from prior art.

(2) Question 2 (supra, p. 2) also presents an important question of patent law which has not been, but ought to be, decided by this Court.

Patent '013 does not cover non-coincidental valve operators broadly and cannot in view of prior art such as Jones. Patent '013 describes and claims one mechanism for shifting the clutch and holding it (the "detent").

While claim 2 of patent '013, the only claim ever in controversy, has been broadly construed, it is conceded that the clutch shifting mechanism of petitioner's Type CS stems from the prior art Jones patent; the Court of Appeals, however, dismissed Jones from consideration because Jones showed additional structure (*supra*, p. 7).

So the question is whether as matter of law a later-accused device has to be a precise, or "Chinese," copy of

the prior art in order that the maker of that device may invoke it to show non-infringement.

The decision below on this question is in conflict with decisions in other circuits, namely:

Casco Products Corp. v. Sinko Tool & Mfg. Co., (7th Cir. 1940) 116 F.2d 119, cert. denied 312 U.S. 693

Union Carbide & Carbon Corp. v. Graver Tank & Mfg. Co., (7th Cir. 1952) *supra*

Air Devices, Inc. v. Air Factors, Inc. et al., (9th Cir. 1954) 210 F.2d 481.

In the *Air Devices* case, the court (p. 483) refused to construe claims "to bar the use by defendants of that which was not new", or "to cover means which have clear antecedents in the prior patented art".

(3) The decision below, respecting the determination of an "equivalent" as posed by Question 3 (*supra*, p. 2), is believed to be in conflict with, or to misinterpret and misapply, the decisions of this Court in

Graver Tank & Mfg. Co. v. Linde Air Products Co., (1950) 339 U.S. 605

Westinghouse v. Boyden Power Brake Co., (1898) 170 U.S. 537

The basic rule for determining equivalency was stated in the *Graver* case (p. 609), as follows:

> "What constitutes equivalency must be determined against the context of the patent, *the prior art*, and the particular circumstances of the case." (Emphasis supplied).

The court below said "* * * the district court was justified in its factual finding of equivalence between appellant's [E-I-M's] modified CS structure and the heretofore adjudicated PP device." (App., p. 8). The lower court treated the district court's refusal to consider prior art to be without prejudice to E-I-M because of brief mention of Jones but it is clear that E-I-M had no real opportunity to put prior art into evidence or to show the correct relation of its newly accused Type "CS" to such prior art (App., pp. 9-10; *supra*, p. 6; R. 65-7, 226).

The refusal of the courts below to take prior art into account in determining equivalency, and hence infringement, means that the measure of a patent, once adjudicated, is no longer to be determined in the light of the prior art, as against the former infringer; the net effect of the decision below is to substitute a mere comparison with the earlier adjudicated device without any consideration of the prior art, thus setting up a different measure of the scope of a patent as it affects manufacturers who have previously infringed, than for other members of the public. We submit that such an incongruity was not intended by the patent law.

The decision below is in conflict with holdings in other circuits, as follows:

Union Carbide & Carbon Corp. v. Graver Tank & Mfg. Co., (7th Cir. 1952) *supra*

Hartford-Empire Co. v. Obear-Nester Glass Co., (8th Cir. 1938) 95 F. 2d 414

Air Devices, Inc. v. Air Factors, Inc. et al., (9th Cir. 1954) *supra*

In the *Union Carbide* case, decided after the *Graver* decision in this Court, Chief Judge Major wrote (p. 112):

> "In our opinion, the application of the doctrine of equivalency in this case is to ignore * * * the difference * * * which distinguished plaintiff's composition from the prior art * * *."

(4) Question 4 (*supra*, p. 3) is an important procedural question which has not been, but ought to be, decided by this Court.

The Court of Appeals, in applying its prior decision in *Patton v. Stone, supra,* and in affirming the district court's disposition of the charge of a later infringement by summary proceeding on contempt against E-I-M, proceeded in conflict with the following decisions in other circuits:

> *Radio Corp. v. Cable Radio Tube Corp.*, (2nd Cir. 1933) 66 F.2d 778
>
> *American Foundry & Mfg. Co. v. Josam Mfg. Co.*, (8th Cir. 1935) 79 F.2d 116
>
> *Hartford-Empire Co. v. Obear-Nester Glass Co.*, (8th Cir. 1938) 95 F.2d 414

A statement of the rule appears in *Hartford-Empire* in these terms (p. 417):

> "* * * rule of decision * * * in situations of proceeding against a new device where an infringement injunction is in force. That rule is that where the difference between the new and the accused [adjudicated] device appears to be substantial or doubtful—not merely colorable—the plaintiff will be denied relief by attachment for contempt and relegated to other remedies."

No contention is made that the Type "CS" operator is "merely colorably different" from the adjudicated Type "PP"; to the contrary, the court below noted "specific divergencies in physical structure and methods of operation" (App., p. 3). And the record affirmatively shows material structural and operational differences between E-I-M's earlier adjudicated Type "PP" and newly accused "CS" operator* (R. 70-75).

Despite this recognition by the Court of Appeals that there were good grounds in the record whereby it might conclude that E-I-M had proceeded in good faith, it nevertheless adhered to the district court's disposition of the issue by the summary process of contempt.

In view of the exclusion of prior art petitioner has been deprived of a trial with respect to the Type "CS" operator (*supra*, p. 6). In the *Hartford-Empire* case, the Court wrote (p. 426):

> "The differences between the two new devices and the accused device (first suit) are such that, obviously, a determination of infringement by the new devices will require different lines of evidence and a full hearing."

This Court said in *California Paving Co. v. Molitor*, (1885) 113 U.S. 609, 618:

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* Radical difference between E-I-M's Type "CS" and Ball patent '013 in the contempt proceeding is shown by the issuance to Gear Works of Kron patent 2694320 in November 1954 after the record below had been printed and filed. The Kron patent differentiates patent '013 and is an obvious copy of E-I-M's "CS" operator (E-I-M Petit. for Rehearing; certified transcript to this Court, pp. 291, 311). In *Westinghouse v. Boyden, supra*, the Court quoted the following statement with approval (p. 554):

> "* * * if these several means are *not* mechanical equivalents, each of them is patentable" (Emphasis supplied).

"The latter method [a new suit] is by far the most appropriate one where it is really a doubtful question whether the new process adopted is an infringement or not. Process of contempt is a severe remedy, and should not be resorted to where there is fair ground of doubt as to the wrongfulness of the defendant's conduct."

It might perhaps be deemed that the language just quoted from the *Molitor* case makes the procedural decision discretionary with the trial court, but the above-cited decisions in other circuits hold otherwise, and both the *Radio* case and the *American Foundry* case cite *Molitor*. The conflict should be resolved by this Court.

Conclusion.

For the foregoing reasons, petitioner prays that this petition for a writ of certiorari be granted.

Respectfully submitted,

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